LESTER SALAMON

Great, thank you so much. The work that I do really an attempt to put the Civil Society sector all over the world on the economic map of countries and I've been working with the United Nation's statics division to create systems to integrate the sector into the system of national accounts. Most recent work with the international labor organization to do the same with volunteer work. So I have a very deep familiarity with the challenges of bringing data and metrics to the world of impact investing and social purpose activities. And I have to say that one of my main takeaways from today is just a sense of being just very impressed by the creativity of this field and by the commitment that all of you have already shown to the whole idea of measurement. This is something that is not universal in its reality. But the other takeaway that I take from the day, it's very similar I think to what I heard from Ellen Sideman, I just have different words to explain it and that is that this field at this point in time seems to be very long on metrics and very short on concepts. That what's missing is the strategic piece, the thinking strategically about exactly what the focus of the whole metrics operation is. And it seems to me that there were many different views on how this will evolve. And it seems to me that this is really crucial because metrics at the end of the day are not neutral. They don't only measure impact but they can shape impact and they can as easily misshape impact, that is that can incentivize outcomes and activities that really don’t maximize the kinds of impacts that some of you may have in mind.

And even the number of measures can have an impact because they can make it possible, this is a whole green washing phenomena, they can make it possible for everybody to get an A. And so they can lead to great inflation because if you have so many indicators everybody can find some set of indicators that one would say could score high. So there's some real dangers in this metrics business that I think it's important to focus on. And so I want to focus on really three questions that I think are central to the whole strategy of metrics. They aren't about metrics per say. They really are the concept that lies behind the whole enterprise of pursing metrics. The first one is the fundamental one, who should metrics, particularly the metrics of non-financial impacts, who should they serve? I think the article that was sort of the major focus of this conference, the Thornley and Dailey [...?...] article have an answer to that question and they are very up front about it and they argue that it should really be the investors that are served by the metrics. And the goal of it ought to be the structure measurement so as to increase the willingness of investors to pay. But this of course assumes that investors really want the metrics. But the article pointed out that they really don't want the metrics and that what is really required to achieve the adoption of the metrics is some set of incentives. And the incentives can take regulatory form, like CRA of in the government performance and results act, which is the vehicle that is producing metrics in the public sector field since 1993. Or they can take the form of tax incentives, a positive incentive where they can take the form of foundations being willing to deploy their resources in other ways as to incentivize investment from the private sector, a phenomena that we've been referring to as foundations operating as philanthropic banks. And what this argues to me is that maybe we ought to rethink who the metrics are serving. Sure they ought to serve the investor, but it may be that the catalyzers of this kind of investment, this kind of impact activity really ought to be much more deeply involved in the design of the metrics. And that we're going to really go off course in the way that I think Antony was suggesting. We need to remember Einstein's phrase that not everything that counts can be counted. This is a rough thing for me to say as somebody who spends so much of his time counting things. Or to put it in another way around, not everything that can be easily counted really counts. In fact it can be harmful. If we count jobs but not empowerment, which may be the real impact that we’re after. Or we count houses but not community when we're really trying to achieve a different community. Or we count individual services and not the advocacy or community organizing or neighborhood improvement that's required to really produce the kinds of lifestyles that we're after. Or we may forget the time dimension. This is a point that came up late in the day today, and was interesting that it only came up late in the day, these social impacts frequently take time to mature. And a set of metrics that overlooks that can produce a terrible outcome. So I think my favorite piece of research was a study I did of the new deal land reform program, the farm security administration was created in 1937, killed by the Congress in 1943 as a program that had no impact. But what it did in the rural south in a few places was create a landed black middle class, which 30 years later was the backbone of the civil rights movement and my research was able to document the long-term impact and therefore finding these proxies that can give you a hint of those long-term impacts becomes crucial. So who should the metric serve? Very fundamental strategic question that I think needs to be answered. Second question, which would be the unit of analysis? Who is it that we're asking and analyzing? Here again I think this is not a dimension that was even addressed in the Thornley and Daily article, we have sort of three choices fundamentally maybe there are variances of these. We can be measuring through the investors, the investment pools that seem to be what CARS is doing. We can go out to the ventures themselves or radical thought of all, we can actually go to the communities and from my review of the existing schemes, most of them focus on the investors. A couple do get to the ventures. None of them get to the communities. And I think we need to ask the question, is this really the right way to proceed. Who knows best about community impact if not the community. And this then brings me to my third point if I have time to go ahead and do it, I think we might usefully be asking what would Google do? If they were faced with the dilemma that this conference has been about. And I think they would come to a different solution than the ones that I've so far been hearing about. Remember the first law of Google is focus on the user and all else will follow. Their view is that the consumers are now in charge. But the impact-investing world has not yet gotten to that point where the consumers and the communities are in charge. Those that are incentivizing this field need to, I think move that further into the focus. The beneficiaries have no say in the investments. Those are decided by the investors and by the investment pools. These are non-market goods so there's not really a market mechanism through which the users express themselves. There's no feedback loop. It seems to me that impact measurement should be used to correct this, to bring the beneficiary voice into the story and that something needs to be done and added to the whole impact equation so that becomes the norm. This was done, you might remember for consumers, through consumer satisfaction surveys. This is in a market setting where you already have a feedback loop, but we've found the need for customer satisfaction mechanisms to amplify that. And those have been shown to have a, been a proven predictor for shareholder values so it's not as if it's completely off the wall from things that are central to the performance and financial terms. And so I think that those incentivizing impact investments should move beneficiaries into the center of impact metrics or at least closer to the center. And there are examples of this being done and let me just mention the keystone method, which I think has done this, begun to do this in a very effective way. I'll stop.